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Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
JUNE 17 1996

The Honorable Christopher J. Dodd
United States Senator
100 Great Meadow Road
Wethersfield, Connecticut, 06109

Dear Senator Dodd:

Thank you for your letter of May 16, 1996, on behalf of your constituent, Frank S. Beckerer, regarding the Commission's decision to freeze acceptance of paging applications. Mr. Beckerer expresses concern that the suspension of processing of paging applications will adversely affect businesses that provide paging services.

The Commission is currently conducting a rulemaking proceeding that proposes to transition from licensing paging frequencies on a transmitter-by-transmitter basis to a geographic licensing approach, using auctions to award licenses where there are mutually exclusive applications. In conjunction with that proceeding, the Commission initially froze processing of applications for paging frequencies. On April 23, 1996, the Commission released a First Report and Order in WT Docket 96-18 and PP Docket 93-253, which adopted interim measures governing the licensing of paging systems and partially lifted the interim freeze for incumbent paging licensees. For your convenience and information, enclosed is a copy of the Press Release concerning the First Report and Order, which includes a summary of the principal decisions made. Specifically, small and medium sized incumbent paging companies will be permitted to expand their service areas if the proposed new site is within 65 kilometers (40 miles) of an authorized and operating site. These interim rules will remain in effect until the Commission adopts final rules in the paging proceeding.

With respect to applications that were pending as of the effective date of the freeze, February 8, 1996, we note that applications for 150 MHz and 450 MHz channels are placed on Public Notice for 30 days, and applications for 931 MHz channels are on Public Notice for 60 days. All applications filed with the Commission on or before February 8, 1996, have been on Public Notice. The freeze did, however, interrupt the 30 or 60 day window in some cases. The Wireless Bureau on May 10, 1996, released a Public Notice listing pending paging applications. Upon release of this Public Notice, all pending applications filed by incumbents that were not on Public Notice for the required 30 or 60 days will be deemed to be on Public Notice for the remaining amount of time. Upon expiration of these windows, the applications that are not mutually exclusive will be processed. Further, all 929 MHz

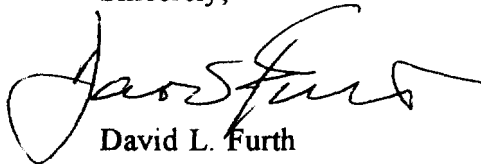
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LIST A B C D E

The Honorable Christopher J. Dodd

private carrier paging exclusive applications filed by incumbents that were filed with the Commission on or before February 8, 1996, and are not mutually exclusive will be processed.

Thank you for your inquiry.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Furth", with a stylized, flowing script.

David L. Furth
Chief, Commercial Wireless Division
Wireless Telecommunications Bureau

Enclosure



NEWS

News media information 202 / 418-0500
Fax-On-Demand 202 / 418-2830
Internet: <http://www.fcc.gov>
<ftp.fcc.gov>

Federal Communications Commission
1919 - M Street, N.W.
Washington, D. C. 20554

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See *MCI v. FCC*, 815 F.2d 385 (D.C. Cir. 1974).

Report No. DC 96-33

ACTION IN DOCKET CASE

April 24, 1996

FCC RELEASES INTERIM ORDER PARTIALLY LIFTING THE PAGING FREEZE FOR INCUMBENT LICENSEES (WT Docket No. 96-18, PP Docket No. 93-253)

The Federal Communications Commission released a *First Report and Order*, (*Order*) on April 23, 1996, which adopts interim measures governing the licensing of paging systems, effective upon publication of the *Order* in the Federal Register. This item will allow small and medium-sized paging companies to incrementally expand to serve their customers, upgrade their equipment to spectrum efficient technology, and compete with nationwide paging companies during the pendency of this rulemaking proceeding.

In the *Notice of Proposed Rulemaking*, adopted on February 8, 1996, the Commission suspended acceptance of new applications for paging channels. This freeze applied to all paging channels except the CCP nationwide channels and the exclusive PCP channels on which the licensees had earned nationwide exclusivity.

The *Order* partially lifts the interim freeze for incumbent paging licensees; clarifies that the formulas proposed in the *Notice of Proposed Rulemaking* are proposed for the final rules, and are not mandated for the interim period; (3) clarifies the internal minor modifications allowed during the interim period; and (4) provides that certain services are not subject to these interim measures. The *Order* states that the interim freeze is necessary to combat fraudulent paging application schemes, but that due to the highly competitive nature of the paging industry paging operators need some flexibility to modify and expand their systems.

- The Commission is lifting the paging application freeze for incumbent paging licensees, and will resume accepting applications for additional CCP and PCP transmission sites if (1) the applicant is an incumbent paging licensee, and (2) the applicant certifies that the proposed transmission site is within 65 kilometers (40 miles) of an authorized and operating transmission site which was licensed to the same applicant on the same channel on February 8, 1996. During this interim period all applications for exclusive 929 MHz channels and all CCP channels will be put on Public Notice.

CHRISTOPHER J. DODD
CONNECTICUT

COMMITTEES:
BANKING, HOUSING, AND
URBAN AFFAIRS

BUDGET

FOREIGN RELATIONS

LABOR AND HUMAN RESOURCES

United States Senate

WASHINGTON, DC 20510-0702

May 16, 1996

WASHINGTON OFFICE:
444 RUSSELL SENATE OFFICE BUILDING
(202) 224-2823
TDD (202) 224-5464

STATE OFFICE:
100 GREAT MEADOW ROAD
WETHERSFIELD, CT 06109
(860) 258-6940
TDD (203) 529-7498

EMAIL: SEN_Dodd@Dodd.Senate.Gov
Home Page: www.senate.gov/~dodd

*PHB.
PR-PAGING
2645*

Ms. Judith L. Harris, Director
Office of Legislative and Intergovernment Affairs
Federal Communications Commission, Room 808
1919 M Street, N.W.
Washington, DC 20554

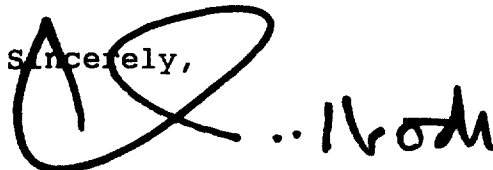
Dear Ms. Harris:

I have been contacted by my constituent, Frank S. Beckerer of Easton, Connecticut, concerning his application for a pager license before the Federal Communications Commission.

According to Mr. Beckerer, he states his application for a pager license has been put on hold until the FCC issues new regulations. He believes this action is unfair because the FCC is processing other pager license applications. Mr. Beckerer has filed a petition for reconsideration of this decision along with other individuals affected by this decision (a copy of the petition is attached). Please accept my interest in this matter and let me know if it is possible for the FCC to issue a license to Mr. Beckerer and the other petitioners.

Thank you for your consideration of this matter.

Sincerely,



CHRISTOPHER J. DODD
United States Senator

CJD:dg
enclosure
in reply: Connecticut Office
860-258-6940
Attention: Del Greer

COPY

SENATOR CHRISTOPHER J.DODD
RUSSEL SENATE OFFICE BUILDING
WASHINGTON D.C.20515

RE:EXPROPRIATION OF MY 931 MHZ PAGER LICENSE APPLICATION BY THE F.C.C.

DEAR SENATOR,

THE RECENT,FEBRUARY 9, 1996,RELEASE OF A PAGER LICENSE :FREEZE AND
RETROACTIVE ANNULMENT ,OF MY PAGER LICENSE APPLICATION IS A GROSS
VIOLATION OF MY RIGHTS AS A CITIZEN OF THE UNITED STATES.


I RESPECTFULLY REQUEST IMMEDIATE AND STRENUOUS INTERVENTION ON MY
BEHALF.

FOR YOUR INFORMATION I HAVE ENCLOSED COPIES:(1)A LETTER FROM ATTORNEY
JOHN PELLIGRIN REGARDING THIS MATTER;(2)HIS SUMMARY OF MY LICENSE
APPLICATION;AND(3), MR PELLEGRIN,S"COMMENTS" TO THE F.C.C. ON MY BEHALF.

IF FURTHER INFORMATION IS REQUESTED, MR PELLEGRIN AND I BELIEVE IT MOST
BENEFICIAL TO CONTACT HIM,AND HE WILL BE HAPPY TO BRIEF YOUR STAFF AND
PROVIDE ANY ADDITIONAL INSIGHTS INTO THE VIOLATION OF YOUR CONSTITUENTS
LEGAL RIGHTS AS YOU MAY DESIRE.

THANK YOU FOR YOUR PROMPT EVALUATION AND INTERVENTION ON MY BEHALF.

CORDIALLY


FRANK S. BECKERER
134 FAR HORIZONS DRIVE
EASTON,CONNECTICUT ,06612
APRIL 1,1996

COPY

Before The
Federal Communications Commission
Washington D.C. 20554

In the Matter of)	
)	
Revision of Part 22 and)	WT Docket No. 96-18
Part 90 of the Commission's)	
Rules to Facilitate Future)	
Development of Paging Systems)	
)	
Implementation of Section)	PP Docket No. 93-253
309(j) of the Communications)	
Act -- Competitive Bidding)	
To: The Commission		

CONSOLIDATED PETITION FOR RECONSIDERATION

Filed By:

JOHN D. PELLEGRIN, CHARTERED

Law Offices of John D. Pellegrin,
Chartered
1140 Connecticut Avenue, N.W.
Suite 606
Washington, D.C. 20036
(202) 293-3831

Dated: March 11, 1996

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Development of Paging Systems)
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Implementation of Section) PP Docket No. 93-253
309(j) of the Communications)
Act -- Competitive Bidding)

To: The Commission

CONSOLIDATED PETITION FOR RECONSIDERATION

Melvia Mae Woods, et al. ("Petitioners"),¹ herewith request, pursuant to Section 1.106 of the Commission's Rules, reconsideration of the actions taken in the Notice of Proposed Rulemaking ("Notice") issued by the Commission in the above-referenced proceeding.² The proposed interim processing rules, as applicable to certain previously-filed applications, are arbitrary and capricious. Insofar as the proposed rules would bar the processing of applications which were properly filed under the Commission's own pre-existing rules, the proposed rules impose an

¹ The 931 MHz paging applicants listed in the attached Exhibit One have filed applications which are currently pending before the Commission, and which will be directly and adversely affected by the Commission's proposed filing freeze and interim processing rules. These parties participated in this proceeding through the filing of the Comments of John D. Pellegrin, Chartered, filed in WT Docket No. 96-18 and PP Docket No. 93-253, on March 1, 1996

² The date of public notice for the purpose of filing this Petition for Reconsideration is the release date, February 9, 1996. See 47 C.F.R. Section 1.4(b)(3). Consequently, this Petition for Reconsideration is timely filed.

unjustifiable retroactive effect on those previously-filed applications. The Commission has failed to subject these new substantive rules to the required notice and comment procedures. In addition, the interim processing rules violate the provision of the Communications Act which bar the consideration of the value of frequency as the basis for implementing auction rules. In support whereof, the following is submitted.

I. Background

In its Notice³, the Commission's stated purpose was to establish a comprehensive and consistent regulatory scheme that would simplify and streamline licensing procedures and provide a flexible operating environment for all paging services. Proposed were rules for a geographic licensing approach, whereby licenses for a specified area would be issued through competitive bidding procedures.

The Commission briefly described the regulatory history of paging services, comparing the development of private carrier paging (PCP) and common carrier paging (CCP) services. In the description the Commission focused on the so-called rewrite of its Part 22 Rules governing 931 MHz paging frequencies (Part 22 Rewrite Order):

In the Part 22 Rewrite Order, the Commission revised its licensing rules for all Part 22 services and specifically adopted new licensing rules for 931 MHz paging frequencies, which were intended to correct the problems the had impeded licensing under the old rules (footnote omitted). The Part 22 Rewrite Order provided that, as of

³ The Notice was adopted February 8, 1996, and released February 9, 1996.

January 1, 1995, all 931 MHz applicants (including those who had applications pending under the old rules) would be required to specify channels in their applications. (footnote omitted). The Part 22 Rewrite Order further provided that after a 60-day filing window for such channel-specific applications, the Commission would grant those applications that were not mutually exclusive and use competitive bidding to select among the mutually exclusive applications. (footnote omitted). The Part 22 Rewrite Order did not establish competitive bidding procedures for mutually exclusive applications. Thus, pending mutually exclusive applications cannot be resolved until such rules are adopted.

However, on December 30, 1994, the Commission stayed the effective date of new Section 22.131 (formerly C.F.R. § 22.541) of our rules as it applies to 931 MHz paging, as well as the opening of the 60-day filing window for amendment of pending 931 MHz applications. (footnote omitted). In addition, we will use a 30-day filing window to define mutually exclusive applications as provided under our old paging rules, rather than the 60-day filing window adopted in the Part 22 Rewrite Order. Notice, at ¶ 11-12. (emphasis supplied)

Purportedly to facilitate this transition, the Commission adopted interim processing rules in the Notice. First, the Commission suspended acceptance of new applications for paging channels as of the adoption date of this Notice. (There were exceptions made for existing licensees making certain modifications to their systems.)

The Commission addressed the status of pending applications:

With respect to processing of pending applications that were filed prior to the adoption of this Notice and that remain pending, we will process such applications provided that (1) they are not mutually exclusive with other applications as of the adoption date of this Notice, and (2) the relevant period for filing competing applications has expired as of the adoption date of this Notice...Processing of mutually exclusive pending applications and applications for which the relevant period for filing competing applications has not expired will be held in abeyance until the conclusion of this proceeding." Notice, at ¶ 144.

The Commission then set out the interim "standards" by which

applications would be processed:

By this Notice, we retain the existing stay of the new Part 22 licensing rules until competitive bidding procedures are established in this proceeding. We will therefore process 931 MHz CCP applications which were pending prior to the adoption of this Notice, and for which the 60-day window for filing competing applications has expired, under the application procedures in effect prior to January 1, 1995. Consequently, pending 931 MHz CCP applications that are not mutually exclusive with other applications will be processed, while mutually exclusive applications will be held pending the outcome of this proceeding. Notice, at ¶ 144.

II. Standard of Substantive "Arbitrary and Capricious" Review

Section 706 of the Administrative Procedure Act, 5 U.S.C. § 706, expressly vests a reviewing court with the right to hold unlawful and set aside any agency action found to be "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706(2)(A). The APA particularly proscribes the failure to draw reasoned distinctions where reasoned distinctions are required.⁴ An agency is required to take a "hard look" at all relevant issues and considered reasonable alternatives to its decided course of action.⁵ A decision resting solely on a ground that does not justify the result reached is arbitrary and capricious. *MCI Telecommunications Corp. v. FCC*, 10 F. 3rd 842, 846 (D.C. Cir. 1993). An agency changing its course must supply

⁴ *American Trucking Associations, Inc. v. I.C.C.*, 697 F. 2d 1146, 1150 (D.C. Cir. 1983).

⁵ *Neighborhood Television Co. v. F.C.C.*, 742 F. 2d 629, 639 (1984); *Telocator Network v. F.C.C.*, 691 F. 2d 525, 545 (D.C. Cir. 1982) (agency must consider all relevant factors); *Action For Children's Television v. F.C.C.*, 564 F. 2d 458, 478-79 (D.C. Cir. 1977) (agency must give relative factors a "hard look").

reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored. *Greater Boston Television Corp. v. FCC*, 444 F. 2d 841, 851 (D.C. Cir. 1970), cert. denied, 403 U.S. 923 (1971). When an agency undertakes to change or depart from existing policies, it must set forth and articulate a reasoned explanation for its departure from prior norms. *Telecommunications Research and Action Committee v. FCC*, 800 F. 2d 1181, 1184 (D.C. Cir. 1986). See also *Achernar Broadcasting Co. v. FCC*, 62 F. 3d 1441 (D.C. Cir. 1995) (the Commission must fully articulate a new policy if it has truly adopted one).

III. The Commission Must Follow Its Own Rules

It is a well-settled rule of law that an agency must adhere to its own rules and regulations.⁶ In addition, once an agency agrees to allow exceptions to a rule it must provide a rational explanation if it later refuses to allow exceptions in cases that appear similar.⁷ It is patently unfair to allow disparate treatment of similarly-situated applicants.⁸

IV. Prior Notice Required

Generally, the Administrative Procedure Act requires that each

⁶ "A precept which lies at the foundation of the modern administrative state is that agencies must abide by their rules and regulations"

Reuters Ltd. v. F.C.C., 781 F. 2d 946, 947, 950 (D.C. Cir. 1986). See also *Schering Corp. v. Shalala*, 995 F. 2d 1103, 1105 (D.C. Cir. 1993).

⁷ *Green County Mobilephone, Inc. v. F.C.C.*, 765 F. 2d 235, 237 (D.C. Cir 1985).

⁸ *Melody Music, Inc. v F.C.C.*, 345 F. 2d 730 (D.C. Cir. 1965).

agency give notice of substantive rules of general applicability, as well as statements of general policy or interpretation formulated by an agency.⁹ This Court has held that when the sanction imposed by a stringent processing standard is as drastic as dismissal, elementary fairness requires explicit notice of the conditions for dismissal.¹⁰ The less forgiving the FCC's processing standard, the more precise its requirements must be. *Id.*¹¹ Consequently, substantive rules can only be created through the rulemaking process.¹²

V. Date of Imposition of Freeze is Incorrectly Computed

The Commission stated in the Notice that the effective date of the freeze was the date of the adoption of the Notice. This is erroneous. By application of law, notice occurred on February 9, 1996, when the Notice was released.

The Commission's Rules state that public notice of rulemaking documents occurs either on the date of publication in the Federal

⁹ 5 U.S.C. § 552(A)(1)(D), (E). The section further provides that "a person may not in any manner.. be adversely affected by ... a matter required to be published in the Federal Register and not so published." *Id.*

¹⁰ *Salzer v. F.C.C.*, 778 F. 2d 869, 875 (D.C. Cir. 1985)

¹¹ See also *Bamford v. F.C.C.*, 535 F. 2d 78, 82 (D.C. Cir.) ("Elementary fairness requires clarity of standards sufficient to apprise an applicant of what is expected."), *cert. denied*, 429 U.S. 895, 97 S. Ct. 255, 50 L. Ed 2d 178 (1976); *Radio Athens, Inc. v. F.C.C.*, 401 F. 2d 398, 404 (D.C. Cir. 1968) ("When the sanction is as drastic as dismissal without any consideration whatever of the merits, elementary fairness compels clarity in the notice of the material required as a condition for consideration.")

¹² 5 USC 553 (B) and (C). See also *Chrysler Corp. v. Brown*, 441 U.S. 281, 313 (1979); *Lindz v. Heckler*, 800 F. 2d 871, 878 (9th Cir. 1986).

Register or on the release date of the document itself.¹³ No person is expected to comply with any requirement or policy of the Commission unless he has actual notice of that requirement or policy.¹⁴ Consequently, any attempt to preclude applicants' rights pursuant to the interim rules may not pre-date February 9, 1996.

VI. The FCC's Interim Rules Proposal Is Illegal

A. Interim Rules Are Impermissibly Retroactive

The Commission's action with respect to applications filed in accordance with existing FCC Rules is unfair and constitutes an unreasonable retroactive application of the Commission's own Rules. It is well-settled that the retroactive application of administrative rules and policies is looked upon with great disfavor by the courts.¹⁵ When implementing regulations or policies and procedures with retroactive application, the Commission must balance the "mischief" caused by such regulation against the "salutary" or beneficial effects, if any, which reviewing courts, in turn, must critically review on appeal to ensure that competing considerations have been properly

¹³ 47 C.F.R. Section 1.4(b)(1) and (3).

¹⁴ 47 CFR §0.445(e).

¹⁵ See, e.g., *Bowen v. Georgetown University Hospital*, 488 U.S. 208 (1988) (retroactivity is not favored in law); *Yakima Valley Cablevision v. FCC*, 794 F. 2d 737, 745 (D.C. Cir. 1986) ("Courts have long hesitated to permit retroactive rulemaking and have noted its troubling nature.")

considered.¹⁶

The retroactive extension of the freeze and interim processing rules to pending 931 MHz paging applications, filed as they were in accordance with the Rules and policies of the Commission then in effect at the time of filing, does not comply with the policy just articulated. This action would not appropriately strike the balance between the significant mischief of disrupting the normal and routine 931 MHz paging licensing process and depriving applicants of their rights and equitable expectancies, versus the dubious benefit of auctioning spectrum which, as the Commission itself admits in the Notice,¹⁷ is already heavily licensed.

Under the interim proposal, Commission action will be withheld on any pending 931 MHz or lowband CCP application that, as of February 8, 1996, the Notice adoption date, was within the period for filing mutually exclusive applications. As a result, all 931 MHz applications accepted for filing after the Public Notice released December 6, 1995, are frozen until WT Docket No. 96-18 has been resolved. This freeze is impermissibly retroactive and patently arbitrary and capricious.

The freeze has an impermissible retrospective effect. It will prevent the processing of applications filed as long ago as November, 1995! It will certainly prevent the processing of

¹⁶ *Yakima Valley Cablevision*, 794 F. 2d 745-46; See *Securities and Exchange Commission v. Chenery*, 332 U.S. 194, 203 (1947).

¹⁷ See Notice, at ¶13 ("According to our records, CCP channels are heavily licensed, particularly in major markets.")

applications filed by Petitioners, all of whom were filed and/or placed on Public Notice between November 22, 1995 and February 8, 1996. When these applications were filed, however, there was absolutely no basis provided by the Commission for anticipating that they would ever be subject to an *ex post facto* freeze.

The interim processing rules constitute a "rule" under the APA.¹⁸ Thus the interim processing rules' legal consequences must be wholly prospective, unless Congress expressly conveyed the power to promulgate retroactive rules to the Commission.¹⁹ The Communications Act conveys no such express power, and no other statutory basis for such power is cited in the Notice. Thus the Commission's attempt to impose a retroactive freeze is illegal.

Indeed, the courts have ruled that the Commission cannot dismiss applications which were timely filed in accordance with the rules prior to the effective date of a freeze. Such applications are entitled to consideration under the doctrine of *Kessler v. FCC*, 326 F. 2d 673 (D.C. Cir. 1963). In *Kessler*, the U.S. Court of Appeals for the D.C. Circuit concluded, in the context of a freeze

¹⁸ The APA's definition of a "rule" states in pertinent part that a rule

means the whole or a part of an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy or describing the organization, procedure, or practice requirements of an agency...

5 U.S.C. §551(4) (emphasis added).

¹⁹ *Bowen v. Georgetown University Hospital*, 488 US 204, 208 (1988) (retroactive rulemaking prohibited unless authorized by statute).

on the acceptance of new AM applications, that applicants who tendered their applications prior to the first day of a freeze were entitled to participate in a comparative hearing on that application and that the Commission could not deprive them of this right when their applications were timely but were rejected only because of a temporary freeze. *Id.*, at 688.

B. No Notice and Comment As Required

The Commission cannot argue that the interim processing rules are procedural in nature, and thus are exempt from the notice and comment requirements of the APA. The exception for procedural rules must be construed very narrowly and is plainly inapplicable where the rule in question alters substantive rights and interests.²⁰ In determining whether an agency rule is substantive and thus subject to the notice-and-comment provisions of Section 553(b), courts must look at the rule's effect on those interests ultimately at stake in the agency proceeding.²¹

The interim processing rules, which include the application freeze, are substantive in nature because they fail the test articulated in *Pickus*, i.e., these rules will have a direct effect

²⁰ National Association of Home Health Agencies v. Schweiker, 690 F. 2d 932, 949 (D.C. Cir. 1982), cert. denied, 459 U.S. 1205, 103 S. Ct. 1193, 75 L. Ed. 2d 438 (1983) (APA exemption from the notice and comment requirement does not apply to agency action which as a substantial impact on substantive rights and interests);

²¹ Neighborhood TV CO., Inc. v. F.C.C., 742 F. 2d 629 (1984), citing Pickus v. United States Board of Parole, 507 F. 2d 1107 (D. C. Cir. 1974) (parole board guidelines were substantive because they "were the kind calculated to have a substantial effect on the ultimate parole decisions" (emphasis supplied)).

on the ultimate disposition of the subject applications. The Commission has made it clear that it will adopt auction rules.²² In fact, the Commission announced its intention to adopt auction rules in its *Part 22 Rewrite Order*, *supra*. The Commission has also made it clear that once it has adopted the new auction rules, it will dismiss applications still pending, in order to clear the way for such auction. Notice at ¶ 144.²³ The Commission could not hold applications in abeyance and then dismiss them as part of the auction process without the imposition of a freeze. In fact, the only reason a freeze is necessary at all is to accomplish this effect.²⁴ Since the ultimate effect of the freeze, used in conjunction with the final auction rules ultimately adopted, will be the dismissal of Petitioners' applications, applications which were not subject to dismissal for such reasons on the date they were filed, these new rules will have a substantial effect on the Commission's ultimate disposition. Consequently, the interim rules

²² See Notice at ¶¶ 1, 71-136.

²³ The Commission indicates in the Notice that it has used this procedure with other existing services. See Notice, at footnote 270.

²⁴ See Comments of John D. Pellegrin, Chartered, filed in WT Docket No. 96-18 and PP Docket No. 93-253, on March 1, 1996 ("there is no valid reason to institute a freeze at all in this situation. The Commission could simply announce it will utilize auctions for those applications which proved ultimately to be mutually exclusive after the new rules are established.") In addition, the Commission has previously stated its approval of the general use of public notices and cut-offs, with auctions to resolve mutual exclusivity as it occurs, for CMRS services. See *In The Matter of Implementation of Sections 3(n) and 332 of the Communications Act, Regulatory Treatment of Mobile Services*, GN Docket No. 93-252, Third Report and order, 9 FCC Rcd 7988, 8135 (1994).

are substantive, and the failure to subject them to notice and comment is illegal.

VII. Interim Processing Rules Violate Communications Act

A. Value of Frequency

The Commission's interim processing rules, and particularly the filing freeze, are admittedly driven by its desire to make applicants pay for paging frequencies. The proposed rules will have the direct effect of either preserving the number of licenses currently issued or in fact reducing that number, making geographic paging licenses available at auction in the future more valuable to prospective bidders.

Section 309(j)(7)(A) of the Communications Act provides that, in making a decision to prescribe area designations and bandwidth assignments:

... the Commission may not base a finding of public interest, convenience and necessity on the expectation of Federal revenues from the use of a system of competitive bidding under this subsection. (emphasis supplied)

It is manifestly clear that the Commission is doing just that if it establishes rules in contemplation of the value of paging spectrum, while at the same time it penalizes applicants already on file in favor of potential, as yet unidentified bidders for paging licenses.²⁵

²⁵ In fact, since the Commission is forbidden by statute to consider the revenues generated by auctions when instituting competitive bidding rules for a service, there is no reason why the Commission should institute a freeze at all. The Commission could simply utilize auctions for those applications which proved ultimately to be mutually exclusive after a date certain. Seen in this light, the only reason for a freeze is to maintain the "value" of the paging spectrum for future bidders, and to attempt to

Furthermore, what concern is it of the Commission's whether there is a great deal of spectrum available or, as observed in ¶13 of the Notice, that "there is relatively little desirable spectrum that remains available for licensing" on VHF and UHF paging channels in the 152 and 454 MHz bands.²⁶ Substitute the term "valuable" for "desirable", a reasonable synonym in this context, and the Commission's consideration of the worth of the spectrum is clear.

B. Statutory Objectives

In addition to the foregoing, to freeze paging applications for the sake of instituting paging auctions further contravenes the letter and spirit of the competitive bidding provisions in the Communications Act. Specifically, these provisions list statutory objectives such as the following:

1. "[D]evelopment and rapid deployment of new technologies, products and services.. without administrative or judicial delays.." See 47 U.S.C. § 309(j)(3)(A). Paging is not a new service, but rather, by the Commission's own admission, a mature industry.²⁷ Freezing paging applications to preserve the few paging frequencies remaining will not bring any "new technology, products or services" to the public. A paging freeze is simply an administrative delay, which Congress has specifically instructed

increase federal revenues from auctions in impermissible fashion.

²⁶ The Commission notes that channels in the 931 MHz band "also are scarce in virtually all major markets and most mid-sized markets." Notice at ¶14.

²⁷ See Notice, ¶¶ 4-8.

the FCC to avoid.

2. "[P]romoting economic opportunity and competition.. and disseminating licenses among a wide variety of applicants." See 47 U.S.C. § 309(j)(3)(B). Paging is already a highly competitive industry, as the FCC itself has observed in the Notice. (See footnote 27, *supra*.) Licenses are already "disseminated among a wide variety of applicants", as there are numerous paging operators in nearly all markets. On the other hand, the freeze has erected barriers to new entrants into the paging marketplace. Consequently, the freeze will have the direct effect of decreasing competition in the paging industry.

VIII. Commission's Action is Arbitrary and Capricious

In defense of its own actions, the Commission states in the Notice that:

We believe that after the public has been placed on notice of our proposed rule changes, continuing to accept new applications under the current rules would impair the objectives of this proceeding. We also note that this is consistent with the approach we have taken in other existing services where we have proposed to adopt geographic area licensing and auction rules. Notice, at ¶ 139. (emphasis supplied)

However, this approach is not consistent with the Commission's prior action taken with respect to 931 MHz paging licenses. The Commission in the Part 22 Rewrite Order established new rules specifically for the 931 MHz paging service. It proposed a solution which properly looked forward by establishing rules for applications filed in the future, while simultaneously proposing processing rules handling previously filed applications. No filing freeze was imposed, despite the fact that notice was given that

auction procedures would be established for applications filed in the future.

The Commission's treatment of applications pursuant to the recent *Part 22 Rewrite Order* completely belies the rationale for establishing an application freeze in the instant case, at least with respect to 931 MHz paging applications. Nor, as demonstrated above, is there any need for an application freeze in this case, as there was no need in the *Part 22 Rewrite* situation.

The Commission's proposed Rules are also a radical departure from the practice established in two recent Commission decisions.²⁸ In both cases, the Commission decided that equitable considerations barred the retroactive application of new rules to previously filed applications. The same equitable considerations are applicable in the instant situation, and the Commission should extend the same type of treatment to bar retroactivity in this case.

The Commission's specific language in its decision to implement auctions for the Multipoint Distribution Service underscores the arbitrary nature of the Commission's interim processing rules.²⁹ Commissioner Quello says quite forcefully and

²⁸ *Multipoint Distribution Service (Filing Procedures and Competitive Bidding Rules)*, 78 RR 2d 856 (1995) ("MDS Order"); *Memorandum Opinion and Order in PP Docket No. 93-253*, 9 FCC Rcd 7387 (1994) ("Cellular Unserved Order").

²⁹ See *Amendment of Parts 21 and 74 of the Commission's Rules with Regard to Filing Procedures in the Multichannel Multipoint Distribution Service and in the Instructional Television Fixed Service and Implementation of Section 309(j) of the Communications Act - Competitive Bidding*, MM Docket No. 94-131 and PP Docket No. 93-253, 10 FCC Rcd 9589, 9754-57 (1995).

persuasively:

The record does not evince any *mal fides* or intent to deceive by not constructing on the part of the applicants. We must therefore conclude that these applications were filed in good faith with the expectation that they would be processed under the rules in existence at the time of filing. Even though we have decided to modify the service somewhat we should not punish those applicants who were caught in the transition through no fault of their own. I believe that they have a significant vested equitable interest in having the applications that they paid fees to file processed in accordance with their expectations and the rules at that time.

Id., at 9754.

As the foregoing language illustrates, procedural fairness requires that the Commission process in accordance with its rules, any applications for paging facilities that were on file prior to the imposition of the freeze. These applicants followed the Commission's Rules, and expended significant efforts and resources in the preparation of their applications, including engineering studies and legal review. Each applicant also paid a filing fee to the FCC. Dismissal of these applications would be particularly unfair to the applicants because the combination of holiday leave, government furloughs, and closings due to winter weather no doubt delayed many applications from reaching Public Notice in a timely fashion. Therefore, the commencement of several relevant cut-off periods were delayed for reasons beyond the control of the Petitioners. The result is the arbitrary and capricious processing of the subject applications.

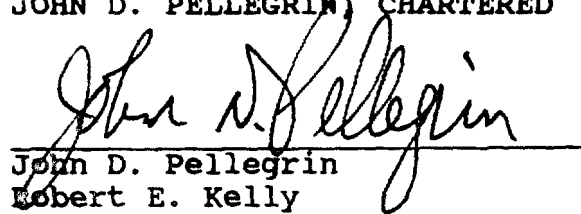
Wherefore, the above premises considered, it is respectfully requested that the Commission should reconsider its decision to

impose a freeze and adopt the interim processing rules, and accept and process Petitioners' applications at the earliest possible time.

Respectfully submitted,

JOHN D. PELLEGRIN, CHARTERED

By:


John D. Pellegrin
Robert E. Kelly

Law Offices of John D. Pellegrin, Chartered
1140 Connecticut Avenue, N.W. - Suite 606
Washington, D.C. 20036
(202) 293-3831

Dated: March 11, 1996

EXHIBIT ONE

Petitioners with Pending 931 MHz Applications

Melvia Mae Woods, Robert Kester, Carmelo Martinez, Frank Beckerer, Benjamin Bryant, John Piskor, Lenard Travis, Dennis Richards, Timothy J. Rule, Melvin K. Lee, Paul Swetnam/Jeff Darr, T.J. Culbertson, Jerry T. Catt, John Reimold Jr., Thomas Engberg, Maynie Deremer-Scott, Jeffrey James, D. Scott Thompson, Lisa Seyer, Timothy Coursey, Chris Lee, Thomas Christinat, Mark Allen Archer, P & L Schmeisser, Irving Kemp III, Byron Ray Kocian, Jacqueline Jamieson, D. Duckwitz, John Coursey, Jeffrey Binder, J. Brevard, Lee Andrews, David Bessey, Robert Wagner, Daniel David, B.D. Smith, Mohammed Siddiqui, John Coursey, T. Horn & M. Swanson